MTREF BUDGET 2011/2012 to 2013/2014

Munisipaliteit UMJINDI Municipality

MP 323

UMJINDI LOCAL MUNICIPALITY

2011/12 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

EXECUTIVE SUMMARY

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public

DOCUMENT APPROVAL			
Position	Name	Signature	Approval Date
Mayor	R V Lukhele		
Municipal Manager	S F Mnisi		
Chief Financial Officer	Vacant		
Business Owner	C van der Westuizen		

EFFECTIVE DATE: 1 JULY 2011

TABLE OF CONTENTS

1. PURPOSE

1.1 The purpose of the report is to table the 2011/2012 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 24(1) of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003, which states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

2. BACKGROUND

2.1 The 2011/12 MTREF will be remembered for the tremendous challenges that the Municipality encountered during the compilation of the 2010/2011 MTREF and the dooming audit report for the year ended on 30 June 2010 that are yet to be overcome.

2.2 The 2010/11 Adjustment Budget in January 2011 directly informed the compilation of the draft 2011/12 MTREF, aligned to the spirit of the MFMA, and more specifically the principle of multi-year budgeting.

2.3 The Ministry of Finance has issued new regulations prescribing the budget and reporting standards, including the formats for municipal budgets as required by the MFMA for the 2010/11 budget year that will continue for the 2011/12 budget year.

2.4 The object of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of the municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in budgeting and reporting processes of those institutions and other relevant matters as required by the Act

2.5 A workshop regarding the compilation of the budget was conducted by office of the CFO in 2010/2011 budget cycle. The implementation of the new regulations and budget formats was scheduled to take effect on 1 July 2010 (2010/11 MTREF). The DRAFT 2011/12 MTREF is now being tabled in Council during March 2011 for consideration and adoption according to the new prescribed format that come into effect during the 2010/2011 year (MFMA circular 54 option 2).

2.6 The technical work on the budget will be completed to ensure that all corrections is being done and ready to be presented to the council for approving on 1 June 2011

2.7 To implement the new regulations that come into effect 2010/2011 MTREF in the prescribed budget formats poses many challenges for the municipality. Not only has the budget formats changed drastically, it has also increased considerably in the amount of schedules, supporting tables and graphs to be completed and submitted.

2.8 A magnitude of statistical information was also added to the new formats of which the information should be obtained from various sources and is not readily available due to the financial system (Finstel) that reaches the end of its life. The challenges will continue for the compilation of the 2011/12 MTREF and will most probably only be solved once the financial system has fully been upgraded and in operation as from 1 July 2011.The process has already started with and training on the implementation and workings of the upgraded financial system starts in March 2011. The upgrading will be finalized during April/May 2011 where after the financial system (Finstel) and SEBATA FMS (SEBATA Financial Management System) will run parallel until 30 June 2011

2.9 A detailed assets management table has also been added to the required submissions which should be compiled in terms of the asset register which is still in the process of being refined.

2.10 A last addition to the regulations is a quality certificate that needs to be completed by the Accounting Officer, declaring that the budget and supporting documentation has been compiled in accordance with the MFMA.

2.11 According to the budget timetable schedule approved by Council in October 2010, the draft 2011/12 MTREF should have been tabled in January 2011 to ensure a transparent, efficient and effective community consultation process to ensure that the final 2011/12 MTREF be approved in June 2011. (The new council must consider the budget for 2011/12 as their first order of business, after electing the Mayor – and approve the 2011/12 MTREF before the start of the new financial year on 30 June 2011

2.12 The MSA, chapter 4 deals with community participation. With specific reference to the budget process, section 16(i) and (iv) stipulates that a municipality must encourage and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its Integrated Development Plan and the preparation of its budget.

2.13 Section 22 of the MFMA also stipulated that immediately after an annual budget is tabled in a municipal council the Accounting Officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

2.14 Section 23(2) of the MFMA stipulates further that "after considering all budget submissions, the Council must give the Executive Mayor an opportunity-

2.14.1 To respond to the submissions; and

2.14.2 If necessary, to revise the budget and table amendments for consideration by Council.

2.15 The 2011/12 budget circular (The MFMA Circular 54) served before the council on 24 January 2011 and council <u>(Especially the new councilors that will be in office after the Municipal elections during April/May 2011 which will be responsible for the review and implementation of the Final MTREF for 2011/2012</u>) will have to note the contents of the circular.

2.16 Council have under item FA 6 dated 24 January 2011 resolved that (As part of the MFM circular 54) resolved that the outgoing council (Mayor) prepares the draft budget with community consultations during March and early April 2011 for approval of the 2011/12 MTREF

(See the options as set by National Treasury in the MFMA circular 54 regarding the compilation of the 2011/12 MTREF)

2.17 Council did rescind item FA 6 dated 24 January 2011 on 3 March 2011 and adopt Option 2 as contemplated in the MFMA circular 54 regarding the adoption of the 2011/12 MTREF and way forward.

3. BUDGET ASSUMPTIONS

3.1 Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year

3.2 In compiling the 2011/12 MTREF, the following issues and assumptions that already started during the very difficult 2010/2011 MTREF process were taken into consideration as the economic meltdown in 2010/11 continued in 2011 and still have a major effect on the budget planning process and outcomes:

3.2.1 Economic climate;

3.2.2 Poverty levels;

3.2.3 Inflation; and

3.2.4 Service delivery cost increases

3.2 Tariff and Proper Rate increases (That is unavoidable) should be affordable and on line with the CPIX, however taking into account the need to address infrastructure requirements

3.4 No budget will be allocated for capital projects unless the request is included in the IDP

3.5 The disposal of municipal vacant land (Stands to be sold) will be included as anticipated revenue to be realized and form part of the budget. The council will have to provide in future for more stands to be made available to middle and high income groups that can afford payment for services and which will expand the revenue base of the municipality.

3.6 Operational costs will be maintained at current levels or reduced as cost curtailment measures

3.7 The "Ring Fence" of specific allocations in the Equitable Share as received from National Treasury will not be done to departments but the conditional allocations (e.g MIG and DME) will be "Ring Fence" for implementation of projects

3.8 Budget allocations for externally funded projects be maintained at approved levels

3.9 Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations.

3.10 It is assumed that Umjindi will share in the economic growth forecasted for the country and particularly for Mpumalanga.

3.11 Most general expenditure budget items and the repairs and maintenance budgets have been increased by 5% - 6% to for the 2011/12 budget year.

3.12 The 2011/12 budget has included a price increase of 20.38% for bulk electricity purchases based on National Treasury's guideline for electricity tariff increase as contemplated in the MFMA circular 54 and will be line with the approved ESKOM average block price increase for 2011/12.

3.13 Employees salaries and contributions have been increased in line with the SALGA three year collective agreements of *1 July 2009 to 30 June 2012 which is based on the average CPIX of 1 February 2009 until 31 January 2010 (as published by Statistics South Africa) plus 2%*

3.14 Increase for Councilors allowances has been allowed for in the 2011/12 budget in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998) taken in consideration that Umjindi will have two new wards after the Municipal elections in May 2011.

3.15 The budget makes provision for 2000 indigent household to be registered, approved and receiving free basic services in 2011/12

3.16 This budget does not make provision for Council to enter into any new loans for capital funding purposes.

3.17 No provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget 97% will be received as actual income. Collection rate currently varies between 71% and 85%.

3.18 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, National Electrification Programme Grant and EPWP Incentive Grant where determined in line with the 2011/12 Division of Revenue Bill (Government Gazette No. 33959 of 24 January 2011).

4. BUDGET HIGHLIGHTS

4.1 An amount of R2,472 million has been budgeted for the indigent household subsidization

4.2 An amount of R3,908 million has been budgeted for free basic services to other residents

4.3 An amount of R47,725 million has been budgeted for infrastructure and institutional development (MIG and DME)

4.4 The envisaged sources of funding for the Capital Budget must be properly considered and the Council is satisfied that this funding is available and has not been committed for other purposes.

5. OPERATING BUDGET

5.1 The following table represents the 2011/12 MTREF as informed by the 2010/11 Adjustment Budget, Integrated Development Plan and various other best practice methodologies eg. Balanced budget constraint, affordability of services to the community within the context of sustainability

DESCRIPTION	BUDGET 2011/12	% OF BUDGET
Operating Revenue by GFS Vote		
Council(Executive Mayor and councilors)	1 404 839	1
Financial Services	52 800 801	25
Corporate Services	4 700	0
Community Services	1 880 737	2
Developmental Planning & Housing	12 839 212	6
Waste Management	6 673 953	3
Waste Water Management	6 555 202	3
Roads Transport	1 902 110	1
Water	38 895 750	18
Electricity	87 937 855	41
TOTAL OPERATING REVENUE	210 967 159	
Community Services		
Operating Expenditure by GFS Vote		
Council(Executive Mayor and councilors)	-13 452 828	5
Financial Services	-26 200 305	10
• Asset Depreciation	-55 000 000	20
Corporate Services	-6 849 957	3
Developmental Planning & Housing	-12 094 764	4
Community Services	-15 986 801	6
Waste Management	-7 914 293	4
Waste Water Management	-3 917 552	2
Roads Transport	-10 968 907	4

Water	-31 677 104	12
Electricity	-82 147 204	30
TOTAL OPERATING EXPENDITURE	-266 534 796	
SURPLUS / (DEFICIT)	-55 567 637	

NOTE: The deficit as reflected in the budget for 2011/12 does include the amount of R 55 million for asset depreciation and impairment.

5.2 Departments utilized the month of December 2010 (year-to-date figures) to capture detail budget proposal. The budget proposals were analyzed during various management (budget) meetings which took place during January/February 2011.

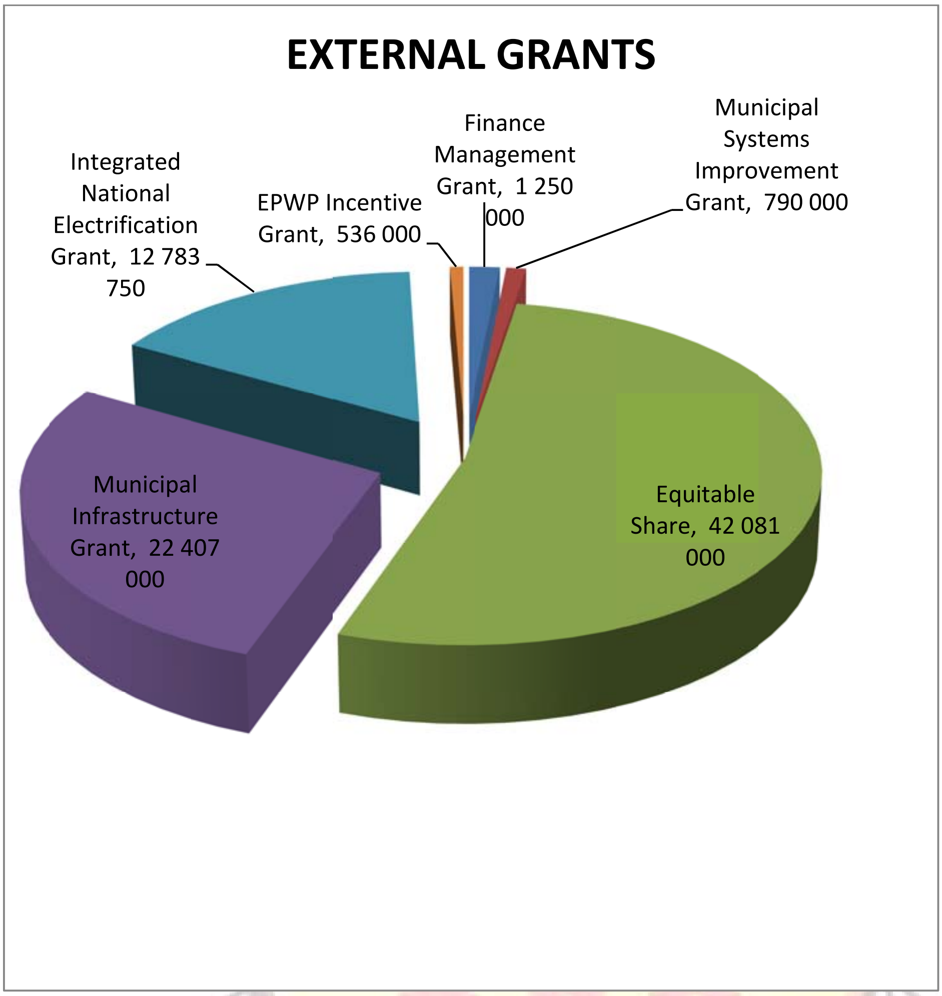
5.3 Departments were given the opportunity to refine their budget proposals in line with the budget principles and availability of revenue.

5.4 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains

6. EXTERNAL FUNDS (GRANTS) - DORA

6.1 With the promulgation of the 2011 Division of Revenue bill in January 2011, the following operational and capital allocations towards the municipality have been factored into the MTREF

DESCRIPTION	BUDGET 2010/11 R' 000	BUDGET 2011/12 R'000	INCREASE/ (DECREASE) %
MIG	21 299 769	22 407 000	5
DME	8 500 000	12 783 750	50
FMG	1 000 000	1 250 000	25
MSIG	750 000	790 000	5
EPWP Incentive	260 000	536 000	100
Equitable Share	36 584 000	42 081 000	15
World Heritage	2 400 000	0	(100)
TOTAL GRANTS	70 793 769	79 847 750	


EXTERNAL GRANTS
Integrated National Electrification Grant, 12 783 750
EPWP Incentive Grant, 536 000
Finance Management Grant, 1 250 000
Municipal Systems Improvement Grant, 790 000
Municipal Infrastructure Grant, 22 407 000
Equitable Share, 42 081 000

6.2 The table below illustrates how the above grants have been allocated to the various projects in the 2011/12 budget year:

DECDRIPTION	EXPENDITURE
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	
Bulk water supply Sheba siding	3 150 000
Water- AC pipes with PVC	6 523 933
Bulk water supply- KaMadakwa/Ndlovu and eMjindini trust	9 362 716
Roads:Gravel road with crusher Ext 14, Verulam and other extensions	1 750 000
Sport infrastructure development	724 070
PMU	896 280
TOTAL	22 407 000
NATIONAL ELECTRIFICATION FUND (DME)	
eMjindini Trust (250 H/Holds)	2 415 750
Counter funding- Equitable share	974 875
Dixy Farm (100 H/Holds)	525 000
Counter funding- Equitable share	848 400
Lindohuhle (347 H/Holds)	2 498 400
Counter funding- Equitable share	3 392 446
Phola Park (503 H/Holds)	3 621 600
Counter funding- Equitable share	3 168 625
Verulam phase 2 (517 H/holds)	3 722 400
Counter funding- Equitable share	3 252 625
Sub-Total DME grant funding	12 783 750
Sub-Total Equitable share counter funding	11 636 972
TOTAL	24 420 722
MUNICIPAL SYSTEMS INFRASTRCTURE GRANT (MSIG)	
Correction of valuation roll	340 000

Ward committee activities (cell phone airtime)	120 000
Correction of asset register	330 000
TOTAL	790 000
FINANCE MANAGEMENT GRANT (FMG)	
CPMD Training	150 000
Appointment of 2 Finance Interns	250 000
Compilation of Annual financial Statements	400 000
Internal Financial Management Workshops	450 000
TOTAL	1 250 000
EQUITABLE SHARE	
Councilors Allowances	1 083 000
Free Basic Services to all residents	3 908 248
Subsidy for Indigent households	2 472 000
Pre-paid services (Cell phone connections)	95 000
Indigent registration process – temps & advert	54 900
Ward committee meetings	10 000
Provision of water to rural areas	1 000 000
Provision of free alternative energy–Sheba Siding	750 000
Provision of free basic service to farms bordering municipal boundary – ESKOM	50 000
Purchase of Asset register system	500 000
Annual Financial Statements (TAS)	400 000
Capital Projects Electricity	11 675 000
Operational Budget	20 081 852
TOTAL	42 081 852
EPWP INCENTIVE GRANT	536 000
Labour intensive projects	536 000
TOTAL	79 847 750

7. CAPITAL BUDGET

7.1 The following table indicates the 2011/12 Medium-term Capital Budget per Department and funding source

DEPARTMENT	PROJECT	INTERNAL FUNDS	EXTERNAL FUNDS	TOTAL
CIVIL SERVICES				
MIG	Bulk water supply Sheba siding		3 150 000	3 150 000
	Roads:Gravel road with crusher Ext 14, Verulam and other extensions		1 750 000	1 750 000
	Water- AC pipes with PVC: -Cathyville -Above Sheba road -Spearville and -Prison Farm line		6 523 933	6 523 933
	Bulk water supply- KaMadakwa/ Ndlovu and eMjindini trust		9 362 716	9 362 716
	Sport infrastructure development		724 070	724 070
	EPWP (037)		536 000	536 000
TOTAL			22 046 719	22 046 719
ELECTRICAL SERVICES				
DME	eMjindini Trust (250 H/Holds)		2 415 750	2 415 750
	Counter funding- Equitable share		974 875	974 875
	Dixy Farm (100 H/Holds)		525 000	525 000
	Counter funding- Equitable share		848 400	848 400

	Lindohuhle (347 H/Holds)		2 498 400	2 498 400
	Counter funding- Equitable share		3 392 446	3 392 446
	Phola Park (503 H/Holds)		3 621 600	3 621 600
	Counter funding- Equitable share		3 168 625	3 168 625
	Verulam phase 2 (517 H/holds)		3 722 400	3 722 400
	Counter funding- Equitable share		3 252 625	3 252 625
	TOTAL DME grant funding		12 783 750	12 783 750
	TOTAL Equitable share counter funding		11 636 972	11 636 972
	Tools (170)	19 000		19 000
	Vehicle replacement (019)	1 000 000		1 000 000
TOTAL		1 019 000	24 420 722	25 439 722
COMMUNITY SERVICES				
	Office furniture (030)	9 000		9 000
	Equipment (030)	76 500		76 500
	Traffic calming equipment (030)	50 000		50 000
	Office Furniture (017)	3 000		3 000
	Machinery & Equipment (011)	130 000		130 000
	Machinery & Equipment (017)	180 000		180 000
	Fencing (017)	15 000		15 000
TOTAL		463 500		463 500
CORPORATE SERVICES				
	Office furniture (024)	4 000		4 000
	Computer equipment (016)	31 000		31 000
TOTAL		35 000		35 000
FINANCIAL SERVICES				
	Office furniture (026)	14 000		14 000

	Equipment (026)	10 000		10 000
	Machinery & Equipment (034)	10 000		10 000
TOTAL		34 000		34 000
PLANNING				
	Office furniture (022)	3 000		3 000
	Office Equipment (012)	35 000		35 000
	LUMS (022)	2 000		2 000
TOTAL		40 000		40 000
TOTAL CAPEX		1 591 500	48 260 002	49 851 502

7.2 The total draft capital budget currently equates to R49 852 million.

7.3 Departments have to take into account their capacity to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery.

8. REVENUE FRAMEWORK

8.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality

8.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the 2011/12 MTREF

8.3 Municipalities must table a balanced and more credible budget, based on realistic estimation of revenue that are consistent with their budgetary resources and collection experience

8.4 The revenue strategy is a function of key components such as:

8.4.1 Growth in town and economic development;

8.4.2 Revenue enhancement;

8.4.3 Achievement of 97% annualized collection rate for consumer revenue;

8.4.4 National Treasury guidelines;

8.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;

8.4.6 Approval of full cost recovery of specific department;

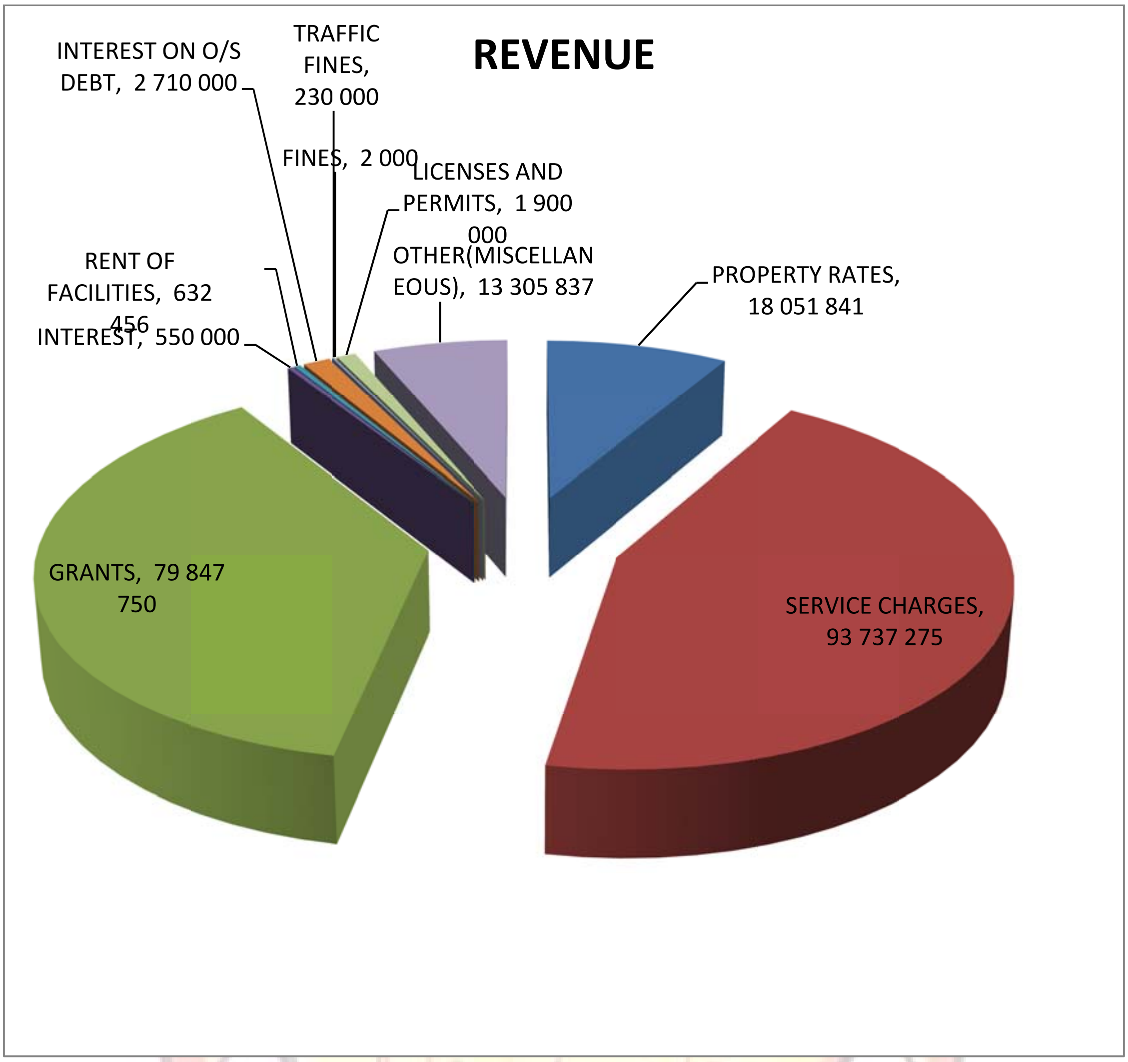
8.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and

8.4.8 Ensuring ability to extent new services and recovering of costs thereof

8.5 The following table is a high level summary of the 2011/12 MTREF (Classified per main revenue source)

8.6 Increase revenue base through providing stands to be sold to middle and high income earners and commercial who can afford to pay for municipal services

DESCRIPTION	APPROVED BUDGET 2010/11	ADJUSTMENT BUDGET 2010/11	BUDGET YEAR 2011/12	% INCREASE / (DECREASE)	BUDGET YEAR 2012/13	BUDGET YEAR 2013/14
Operating Revenue by Source	R'000	R'000	R'000		R'000	R'000
Property rates	15 165 306	15 165 306	18 051 841	19	19 134 951	20 283 049
Electricity	58 202 224	58 202 224	62 830 540	8	66 600 372	70 596 395
Water	18 276 614	18 276 614	19 119 367	5	19 134 951	20 283 049
Sanitation	4 849 827	4 849 827	5 137 202	6	5 445 434	5 772 160
Refuse Removal	6 116 912	6 116 912	6 650 166	9	7 049 176	7 472 127
Grants	68 031 000	68 031 000	79 847 750	17	85 195 000	89 885 160
Interest & Inv Inc	501 100	501 100	550 000	10	583 000	617 980
Rent of facilities	438 549	438 549	632 456	44	1 392 840	1 475 662
Interest on O/S debt	1 550 000	1 550 000	2 710 000	75	2 872 600	3 044 956
Traffic fines	100 300	100 300	230 000	29	243 800	258 428
Fines	565	565	2 000	56	2 120	2 247
Licenses and permits	1 710 500	1 710 500	1 900 000	11	2 014 000	2 134 840
Other (Miscellaneous)	8 122 995	8 122 995	13 305 837		14 469 238	15 338 138
TOTAL OPERATING REVENUE	183 065 892	183 065 892	210 967 159		224 137 482	237 164 191


REVENUE
INTEREST ON O/S DEBT, 2 710 000
TRAFFIC FINES, 230 000
FINES, 2 000
LICENSES AND PERMITS, 1 900 000
OTHER(MISCELLANEOUS), 13 305 837
PROPERTY RATES, 18 051 841
RENT OF FACILITIES, 632 456
INTEREST, 550 000
GRANTS, 79 847 750
SERVICE CHARGES, 93 737 275

9. TARIFF SETTING

9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.

9.2 Tariff increases are primarily driven by the Consumer Price Index (CPIX). It is due to circumstances not possible to, as in the past, follows the CPIX in the tariff setting for the 2011/12 MTREF. All the tariffs have been increased by a percentage of 7.5%.

9.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

9.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

9.5 Tariff increases were therefore calculated at 7.5% with regards to the main services, with the exception of electricity and refuse removal. This owing to the special circumstance regarding power security in South Africa and the losses currently being incurred on refuse removal.

9.6 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households

9.7 Increases beyond the 7.5% included in the draft MTREF will only add to bad debt which is already high and a decline in the cash flow

9.8 The outcome of the increases in tariffs (Revenue) on different revenue categories is as follows:

DETAILS	2011/12 PROPOSED TARIFF INCREASE	2011/12 TOTAL BUDGETED REVENUE R'000
Property Rates	7.5%	18 051 841
Electricity	Total new block tariff structure	62 830 540
Water	7.5%	19 119 367
Sanitation	7.5%	5 137 202
Refuse Removal	28.1%	6 650 166
TOTAL		111 789 116

9.9 Property Rates

9.9.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process

9.9.2 The categories of rate-able properties for purposes of levying rates and the proposed rates that increases with 7.5% are as follows:

CATEGORY	CURRENT TARIFF 2010/11 R	PROPOSED TARIFF 2011/12 R
Residential	0.009	0.00968
Business & Commercial	0.018	0.01935
Industrial	0.018	0.01935
State owned residential	0.009	0.00968
State owned non-residential	0.009	0.00968

Agricultural residential	0.009	0.00968
Agricultural non-residential (Land solely for farming)	0.009	0.00968
Agricultural non-residential (Business)	0.009	0.00968
Agricultural vacant land	0.0045	0.00484
All non agricultural land	0.0045	0.00484
All non-permitted use	0.0045	0.00484

9.10 Water

9.10.1 A 7.5% increase in water tariffs applicable to the residents of Umjindi is proposed, generating R19 million in total

9.10.2 A summary of the proposed tariffs (VAT EXCLUDED) for households (residential) and non-residential are as follows:

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Per Kl R	Per Kl R
Monthly Basic Charge per Category		
Residential 0 – 6 kl	Free	Free
Residential: Developed & Churches	32.30	34.73
Residential: eMjindini Developed & Churches	29.28	31.48
Residential: Undeveloped	59.82	64.31
Business	59.82	64.31
Prison farm	87 171	93 709
Purified Water per Month		
Residential Consumer 0 – 6 kl	Free	
All consumers 7 kl – 25 kl	4,60	4.95
26 kl – 35 kl	4.62	4.97

36 kl and above	4,64	4.99
Unpurified Water to Industries and Crocodile Farm		
First 500 kl or part thereof	422.73	454.44
Above 500 kl	1,49	1,61
WATER RESTRICTIONS IN CASE OF DROUGHT		
Monthly Basic Charge (Dam Water Level @ 85%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	5,16	5.50
26 kl – 35 kl	5,18	5.70
36 kl and above	5,50	6.70
EPWP (037)		536 000

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Per Kl R	Per Kl R
WATER RESTRICTIONS IN CASE OF DROUGHT		
Monthly Basic Charge (Dam Water Level @ 85%-75%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	5,16	5.50
26 kl – 35 kl	5,50	6.10
36 kl and above	7,00	8.50
Monthly Basic Charge (Dam Water Level is below 70%)		
No watering of gardens and washing of cars with garden hoses		
Residential Consumer 0 – 6 kl	Free	Free

All consumers 7 kl – 25 kl	5,16	5.50
26 kl – 35 kl	7,00	7.75
36 kl and above	15,00	18
New Connection Charges		
	Cost + 15%	Cost + 15%
Testing of Meter		
Where meter show an error of less than 2,5%	113.95	122.50
Where meter show an error of more than 2,5%	N/C	N/C
Water Connection		
Water connection	1 207.87	1 298.46
Poverty (Indigent) tariff (A281/2005)	384.01	412.81

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
PENALTIES: TEMPERING WITH WATER METERS (RECONNECTION FEE)		
Domestic Consumers (Pre-paid & Conversional)		
FIRST OFFENCE		
Without damage to installation	1 219 27	1 310.71
With damage to installation	1 954.24	2 100.81
SECOND OFFENCE	1 954.24	2 100.81
THIRD OFFENCE		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and		

• Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	2 136.56	2 296.80

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
BUSINESS CONSUMERS AND LARGE POWER USERS		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	3 988.25	4 287.37
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tempering with any meter on his/her property		

9.11 Refuse Removal

9.11.1 Currently refuse removal is operating at a loss/deficit. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term.

9.11.2 Refuse removal tariffs are proposed to be increased with 28.1% for residential once per week, 12.9% for daily removals and 8% for other refuse services from the 1 July 2011 to ensure that costs are recovered

9.11.3 Revenue of R6.6 million will be generated through the tariff increase and anticipated growth in service rendering.

9.11.4 The following table indicates a comparison between current and proposed amounts payable from 1 July 2011 (VAT EXCLUDED)

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	R	R
Once per Week		
1st Bin – All sections	50,76	65.00
Daily Removal		
1st Bin	186,03	210.00
2nd Bin	131,37	150.00
OTHER REMOVALS		
Special removals 6 per m3	623,34	673.21
Bulk containers/Bins (Business)	220,72	238.38
Rental of Bulk containers/Bins (Maximum 3 days)	259,58	280.36
Unsound foodstuff per removal	671,43	725.14
Cleaning of Erven per m2	1,14	1.24

9.12 Sanitation

9.12.1 The tariff is proposed to be increased by 7.5% from 1 July 2011

9.12.2 The total revenue expected to be generated from rendering this service amounts to R 5.1 million for the 2011/12 financial year.

9.12.3 The following table indicate the proposed tariffs (VAT EXCLUDED) to be implemented with effect from 1 July 2011:

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	R	R
Private Residential Purposes		
For every 100m2 or portion thereof	5.13	5,51
Maximum	100.00	107.50
Prisons		
For every 100m2 or portion thereof		5,06
Maximum	2 335.98	2 511.17
Other Land		
For every 100m2 or portion thereof	5.13	5.51
Maximum	1 401.59	1 506.70
Domestic sewerage		
Per water closet pan, urinal or compartment	15.21	16.35
Connection fees		
	Cost + 15%	Cost + 15%
Sewerage Connection Fees		
Sewerage connection fees	1 048.34	1 126.97
Poverty (Indigent) tariff	499.67	537.15
Sewerage Blockages Private Properties		
Weekdays (Office Hours)		
First half hour or portion thereof	317.35	341.15
Every additional half hour or portion thereof	1 494.25	1 606.32
Saturdays & After Hours		
First half hour or portion thereof	512.21	550.62
Every additional half hour or portion thereof	256.39	275.62
Sundays & Holidays		
First half hour or portion thereof	512.21	550.62
Every additional half hour or portion thereof	241.88	260.02

9.13 Electricity

9.13.1 The tariff is proposed to be changed according to NERSA guidelines regarding the implementation of the block tariffs as from 1 July 2011

9.13.2 The current proposed electricity tariff increases for the 2011/12 MTREF is approved during the mayoral meeting in February.

9.13.3 The estimated revenue amounts to R62.8 million in total.

9.13.4 All residents of Umjindi excluding registered indigent household will no more get the granted 50 kWh per month free of charge due to the new block tariff structure which itself will reduce the electricity bill for low consumers as from 1 July 2011.

9.13.5 The following table indicates the proposed electricity charges (VAT EXCLUDED) for the 2011/12 financial year

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2010/12
	R	R
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)		
Domestic Basic Charge		
Domestic with no consumption for 30 days and longer	149,35	150.00
Residential	Free	150.00
Domestic Energy Charge of Electricity (Block tariff)		
Conventional 0 – 50 units Block 1	Free	0.580
Conventional 51 – 351 units Block 2	0,73	0.660
Conventional 351 – 600 units Block 3		0.900
Conventional 601 – above Block 4		1.090

Pre-paid Domestic 0 -50 units Block 1	Free	0.630
Pre-paid Domestic 51 -350 units Block 2	0,85	0.710
Pre-paid Domestic 351 -600 units Block 3		0.950
Pre-paid Domestic 600 and above Block 4		1.140
COMMERCIAL (MUNICIPAL , BUSINESS ETC)		
Basic Charge (conventional)		
Three phase (including vacant stand)	631,42	760.00
Single phase (including vacant stand)	552,82	665.00
Energy Charge of Electricity		
Charge per unit	0,734	0,880
Business consumption (Pre-paid)	0,85	0,950
INDUSTRIAL (MUNCIPAL, BUSINESS, SCHOOLS WITH KVA ECT)		
Low Voltage 400 V (Demand Scale)		
Metered KVA	96,30	115.00
Charge per unit	0,445	0,536
Basic charge (including vacant stands)	812,20	977.00
Time of use		
Peak	2,12	2,550
Standard	0,445	0,536
Off-peak	0,301	0,362
KVA 11000V		
Metered KVA	95,35	114.00
Charge per unit	0,35	0,420
Basic charge (including vacant stand)	812,20	977.00
Time of use		
Basic charge	812,20	977.00
Demand charge per kVA (30 min periods)		
Energy charges		
Peak		

High Demand (June – August)	1,30	1,58
Low Demand (September – May)	0,42	0,506
Standard		
High Demand (June – August)	0.400	0,482
Low Demand (September – May)	0.285	0,343
Off-peak		
High Demand (June – August)	0.223	0,268
Low Demand (September – May)	0.195	0,235
CONNECTION CHARGES AND OTHER MAINTENANCE		
Single phase pre-paid meter	4 150,00	4 950,00
Single phase conventional meter	4 050,00	1 485,00
Single phase pre-paid meter (Poverty)Indigent	Free	1 485,00
Three phase pre-paid meter	6 850,00	8 250,00
Three phase conventional meter	6 650,00	8 005,00
Change conventional to pre-paid meter (single phase)	675,00	812,00
Change conventional to pre-paid meter (three phase)	3 400,00	4092,00
Change pre-paid to conventional (Single phase)	700,00	842,00
Change pre-paid to conventional (Three phase)	1 380,00	1 660,00
PENALTIES: TEMPERING WITH ELECTRICITY METERS		
Domestic Consumer (Pre-paid & Conventional)		
First Offence		
Without damage to installation	1 620,00	1 950,00
With damage to installation	2 380,00	2 850,00
Second Offence		
	3 025,00	3 650,00
Third Offence		
Legal action and removal of meter		

SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	1 950,00	2 350,00
Business Consumers and Large Power users		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	5 185,00	6 200,00
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tempering with any meter on his/her property		
Testing of Meters (Section 9(1) of By Laws)	240,00	850,00
Attendance to complaint other than fault in council's supply or equipment (per call)	240,00	295,00
Testing of electrical installation (Section 16(8)b of By-Laws) – 0n request of consumer	350,00	450,00
Replacement of tariff circuit breakers with		
Higher circuit breaker per phase	270,00	350,00
Lower circuit breaker per phase	270,00	3500,00
Consumer is of the opinion tariff circuit breaker tr current value that its rating		

Tariff	232,00	285,00
Per circuit breaker	105,00	130,00
(These costs are refundable at non-compliance)		
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating		
Aggregate of units determined by Council Engineer		
Testing/fault finding on electrical cables		
First 2 hours	920,00	1150,00
Every hour thereafter	350,00	450,00
Plus: Travel cost	Actual cost	Actual cost
Tariff classification		
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final		

9.14 Other tariffs

9.14.1 The tariffs for all other services rendered i.e approval of building plans etc, will be increased with an inflation related percentage of 7.5%

9.14.2 The proposed tariffs for the various services are attached as Annexure to this report

9.14.3 The shortfall owing to these tariffs not always covering costs is funded through property rates.

9.15 Equitable Share

9.15.1 The Equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes account of the fiscal capacity, fiscal

efficiency, developmental needs, extent of poverty and backlogs in municipalities

9.15.2 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA)

19.15.3 The structure and components of the formula are summarized as follows:

Grant = BS + D + I + R+(-) C where:

BS = Basic Service Component

D = Development component

I = Institutional Support Component

R = Revenue-raising Capacity Correction

C = Correction and stabilization factor

19.15.4 It should be noted that the basic component support is only for poor households earning less than R1 200 per month and it also distinguishes between poor households provided with services and those provided with lesser or no services.

19.15.5 A municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme

19.15.6 In terms of the DoRA (Division of Revenue act), the allocation towards Umjindi for 2011/12 is R 42,081 million for the financial year.

10. EXEPENDITURE FRAMEWORK

10.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

10.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

10.1.2 Balanced budget constraint (expenditure cannot exceed revenue)

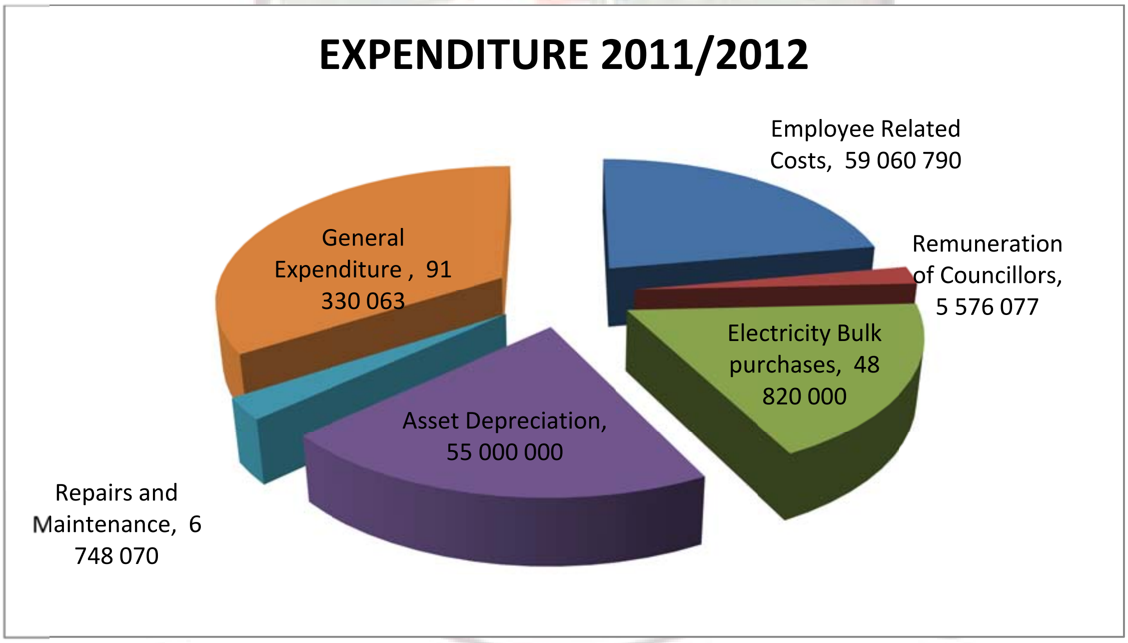
10.1.3 Capital programme aligned to asset renewal strategy

10.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

10.1.5 Strict principle of no project plan (business plan) no budget allocation (funding allocation)

10.2 The following table is a high level summary of the draft 2010/11 Medium-Term Expenditure Framework (Classified per main category of expenditure).

DESCRIPTION	APPROVED BUDGET 2010/11	ADJUSTMENT BUDGET 2010/11	BUDGET YEAR 2011/12	% INCREASE / (DECREASE)	BUDGET YEAR 2012/13	BUDGET YEAR 2013/14
Operating Expenditure by Type	R'000	R'000	R'000		R'000	R'000
Employee related costs	54 711	54 711	59 061	8	62 604	66 361
Remuneration of Councilors	4 270	4 270	5 576	23	5 911	6 265
Electricity bulk purchases	30 350	30 350	48 820	61	51 749	54 854
Depreciation & Impairment	50 000	50 000	55 000	10	58 300	61 798
Repair and Maintenance	7 250	9 104	6 748	(75)	7 204	7 625
General expenses	55 472	59 040	91 330	54	95 005	98 660
TOTAL OPERATING EXPE	202 053	207 475	266 535	28	280 773	295 563



10.3 The Total expenditure for the 2011/12 year has increased by 28% against the 2010/11 adjustment budget.

10.4 In terms of the projected R59 million for the 2011/12 financial year, indicative salary increases have been included and represents 35% of the total operating expenditure budget

10.5 The cost associated with the remuneration of councilors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No. 20 of 1998)

10.6 Aligned to the best practice methodology of preserving and maintaining current infrastructure, the expenditure framework has essentially catered for infrastructure maintenance

10.7 Compared to the 2010/11 adjustment budget, the repairs and maintenance for the 2011/12 year has decreased by 75% from R9, 1 million to R6, 7 million

10.8 Compared to the 2010/11 adjustment budget, the bulk electricity purchase for the 2011/12 year has increased by 61% from R30, 3 million to R49,8 million

10.9 General expenditure comprises of municipal rates and services, administration and general related expenditure. The general expenditure did increase with 54% from R59, 040 million on the adjustment budget for 2010/11 to R91, 079 million for the 2011/12 MTREF

10.10 The number of households in informal areas that receives free services and the cost of these services (eg. Delivery of water in rural areas) are not taken into account in the table above

10.11 Revenue estimated to be foregone with regards to property rates rebate is R1,5 million for the 2011/12 financial year

10.12 The cost (revenue forgone) of the social package of the registered indigent household is off-set by the equitable share received in terms of the DoRa (Division of Revenue act).

12. CONCLUSION

12.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all

12.2 The 2011/12 MTREF contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.

12.3 The public participation and consultation process did take place in March 2011 and April 2011 regarding the community input on the draft MTREF for 2011/2012 due to the municipal elections that will be held during May 2011.

13. RECOMMENDATION

13.1 That in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003), the annual budget of the municipality for the financial year 2011/12, and indicative allocations for the two projected outer years 2012/13 and 2013/14, and the multi-year and single year capital appropriations are approved as set out in the following tables:

13.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2.

13.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3.

13.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4.

13.1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

13.2 That the financial position, cash flow, cash-backed reserves/accumulated surplus, asset management and basic service delivery target are adopted as set out in the following tables:

13.2.1 Budgeted Financial Position as contained in Table A6.

13.2.2 Budgeted Cash Flows as contained in Table A7.

13.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8.

13.2.4 Asset Management as contained in Table A9.

13.2.5 Basic Service Delivery measurements as contained in Table A10.

13.3 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for Property Rates, Electricity, Water, Sanitation as well as refuse removal as set out in Annexure A, B, C, D and E respectively, be approved with effect from 1 July 2011.

13.4 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for other services, as set out in Annexure F1 to F12 respectively, be approved with effect from 1 July 2011.

13.5 That the proposed electricity tariff increase is subject to approval by NERSA.

13.6 That all budget related policies, reviewed and amended be approved and applicable with effect from 1 July 2011.

13.7 That the Service Delivery and Budget Implementation Plans be approved and implemented with effect from 1 July 2011.

UMJINDI LOCAL MUNICIPALITY

MULTI YEAR FINANCIAL PLAN

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Chief Financial Officer
Client: Umjindi Local Municipality

Document Classification:
Confidential

TABLE OF CONTENTS

1. PURPOSE

1.1 The purpose of this document is to outline the comprehensive Multi-year Financial Plan that will ensure long-term Financial sustainability for the Municipality.

1.2 A Multi-year Financial Plan is essential to ensure that the Municipality continues to implement its mandate effectively without impairing its capital base. It will also enable the Municipality to move towards self-sufficiency in meeting the growing demands of Service Delivery.

2. BACKGROUND:

2.1 A Financial Plan is prepared for a period of at least three years, however it is preferred that it should be for over a period of five or more years.

2.2 A Multi-Year Financial Plan is prepared to ensure Financial sustainability of the Municipality paying particular attention to the Municipality's infrastructure requirements.

2.3 It is also an important component of the Municipality's Integrated Development Plan.

2.4 A prudent Multi-Year Financial Plan identifies and prioritizes expected needs based on the Municipality's Five-Year Integrated Development Plan and details estimated amounts of funding various sources.

2.5 The Multi-Year Financial Plan will also ensure that the Municipality has greater Financial health and sustainability, making it easier to collaborate on projects with other levels of Government and various public and private stakeholders. This will further enhance the ability of the Municipality to have access to more financing, funding and grants.

3. FINANCIAL STRATEGY FRAMEWORK:

3.1 Umjindi Municipality is a developing and growing Municipality striving for service delivery excellence. Therefore many challenges are faced with regards to Financial Planning and are ever changing due to the dynamic setting of Local Government.

3.2 The priority for the Municipality, from the Financial perspective is to ensure viability and sustainability of the Municipality. The Multi-Year Financial Plan and related strategies will therefore need to address a number of key areas in order to achieve this priority. These strategies are detailed below:

3.2.1 Revenue Enhancement Strategy:

* To seek alternative sources of funding;
* Expand Income base through implementation of new Valuation Roll;
* The ability of the Community to pay for services;
* Identification and pursuance of Government Grants;
* Tightening Credit Control measures and Debt Collection Targets;

* Improve customer relations and promote a culture of payment;
* Realistic Revenue estimates;
* The impact of inflation, the Municipal cost index and other cost increases; and
* The creation of an environment which enhances growth, development and Service Delivery.

3.2.2 Asset Management Strategy:

* The implementation of a GRAP compliant Asset Management System;
* Adequate Budget provision for Asset Maintenance over their economic lifespan;
* Maintenance of asset according to an Infrastructural Asset Management Plan;
* Maintain a system of Internal control of assets to safeguard assets; and
* Ensure all assets owned and/or controlled except specific exclusions are covered by Insurance.

3.2.3 Financial Management Strategies:

* To maintain an effective system of Expenditure control including procedures for the approval, authorization, withdrawal and payment of funds.
* Preparation of the Risk Register and application of Risk Control;
* Implement controls, procedures, policies and by-laws to regulate fair, just and transparent transaction;
* Training and development of Senior Financial staff to comply with prescribed minimum competency level
* Implement GRAP standards as gazette by National Treasury; and
* Prepare Annual Financial Statements timeously and review performance and achievements for past Financial years.

3.2.4 Operational Financing Strategies:

* Effective Cash Flow Management to ensure continuous, sufficient and sustainable cash position;
* Enhance budgetary controls and financial reporting;
* Direct available Financial resources towards meeting the projects as identified in the IDP, and
* To improve Supply Chain Management processes in line with regulations.

3.2.5 Capital Funding Strategies:

* Ensure service delivery needs are in line with Multi-year Financial Plan;
* Careful consideration / prioritization on utilizing resources in line with the IDP;
* Analyze feasibility and impact on operating budget before capital projects are approved;
* Determine affordable limits for borrowing;
* Source external funding in accordance with affordability.
* Improve capital budget spending; and
* Maximizing of infrastructural development through the utilization of all available resource.

3.2.6 Cost-Effective Strategy:

* Invest surplus cash not immediately required at the best available rates;
* Restrict capital and operating expenditure increases in relation to the inflation rate taking into consideration the macro economic growth limit guideline and Municipal cost increases.
* To remain as far as possible within the following selected key budget assumptions-
  *Provision of bad debts of at least 2%
  *Overall cost escalation to be linked to the average inflation rates
  *Tariff increase to be in line with inflation plus Municipal growth except when regulated;
  *Maintenance of assets of at least 6% of total operating expenditure
  *Capital cost to be in line with the acceptable norm of 18%
  *Outstanding external debt not to be more than 50% of total operating revenue less Government Grants; and
  *Utilisation of Equitable Share for indigent support through Free Basic Services.

3.2.7 Measurable Performance Objectives for Revenue:

* To maintain the Debtors to revenue ratio below 10%
* To maintain a Debtors payment rate of above 90%
* To ensure that the Debtors return remain under 40 days; and
* To keep the Capital cost on the Operating Budget less than 18%

3.3 Financial Management Policies:

The purpose of Financial Policies are to provide a sound environment to manage the Financial affairs of the Municipality. The following are key budget related policies:

3.3.1 Tariff Policy: the Policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000;

3.3.2 Rates Policy: a Policy required by the Municipal Property Rates Act, Act 6 of 2004. This Policy provides the framework for the determination of rates;

3.3.3 Indigent Support Policy: to provide access to and regulate free basic services to all indigents;

3.3.4 Budget Policy: this Policy set out the principles which must be followed in preparing Medium Term Revenue and Expenditure Framework Budget. It further ensures that the Budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

3.3.5 Asset Management Policy: the objective of the Policy is to prescribe the accounting and administrative procedures relating to the property, plant and equipment;

3.3.6 Accounting Policy: The policy describes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards.

3.3.7 Supply Chain Management Policy: this Policy is developed in terms of Section 1 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this Policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of Municipal Services.

3.3.8 Subsistence and Travel Policy: this Policy regulates the reimbursement of travelling and subsistence costs to officials and Councilors attending official business.

3.3.9 Credit Control and Debt Collection Policy: this Policy provides for Credit and Debt Collection Procedures and mechanisms to ensure that all consumers pay for the services that are supplied.

3.3.10 Investment Policy: this Policy was compiled in accordance with the Municipal Invest Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible.

3.3.11 Short-term Insurance Policy: the objective of the Policy is to ensure the safe-guarding of Council's assets.

4. REVENUE FRAMEWORK:

4.1 In order to serve the Community and to render the services needed, revenue generation is fundamental to financial sustainability of every Municipality.

4.2 The reality is that we are faced with developmental backlogs and poverty, challenging our Revenue generation capacity. The requests always exceed the available funds. This becomes more obvious when compiling the Municipality's Annual Budget.

4.3 Municipalities must table a balanced and more credible Budget, based on realistic estimation of revenue that are consistent with their budgetary resources and collection experience

4.4 The Revenue strategy is a function of key components such as:

4.4.1 Growth in town and economic development
4.4.2 Revenue enhancement
4.4.3 Achievement of above 90% annualized collection rate for consumer revenue;
4.4.4 National Treasury guidelines;
4.4.5 Electricity tariff increase within National Electrification Regulator of South Africa (NERSA) approval;
4.4.6 Approval of full cost recovery of specific department
4.4.7 Determining tariff escalation rate by establishing / calculating revenue requirement; and
4.4.8 Ensuring ability to extent new services and recovering of costs thereof.

4.5 The South African economy is slowly recovering from the economic downturn and will still take some time for Municipal revenues to increase through Local economic growth.

4.6 Consequently cash flows are expected to remain under pressure for the 2011/2012 Financial Year and a conservative approach is followed to project expected revenues and cash receipts.

4.7 The following table is a high level summary of the projected revenue for the Municipality over the Medium Term:

REVENUE BY SOURCE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2010/2011	BUDGET YEAR 2011/2012	FORECAST 2012/2013	FORECAST 2013/2014
	183 065 892	210 967 159	224 137 482	237 164 191

4.9 On average service charges jointly comprise 48 % of the total Revenue, Property Rates 8% and Government Grants 36% whilst other Revenues constitutes 8%.

5. GRANT FUNDING:

5.1 The Division of Revenue Act contains allocations from National and Provincial, which allocations are recognized as Government Grants and factored as follows under the Medium Term:

GOVERNMENT GRANTS	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2010/2011	BUDGET YEAR 2011/2012	FORECAST 2012/2013	FORECAST 2013/2014
OPERATING GRANTS	38 334 000	44 121 000	4 814 000	52 074 000
Finance Management Grant	100 000	1 250 000	1 500 000	1 500 000
Municipal Systems Improvement Grant	750 000	790 000	800 000	900 000
Equitable Share	36 584 000	42 081 000	46 614 000	49 674 000
CAPITAL GRANTS	30 059 769	35 726 750	36 281 000	37 811 160
Municipal Infrastructure Grant	21 299 769	22 407 000	27 245 000	28 743 000
Integrated National Electrification Grant	8 500 000	12 783 750	8 500 000	8 500 000
EPWP Incentive Grant	260 000	536 000	536 000	568 160
TOTAL	68 393 769	79 847 750	85 195 000	89 885 160

5.2 Government grants forecasted for the 2011/2012 Financial Year reflect an increase of 17% from the 2010/2011 Financial Year.

5.3 The Equitable Share allocation to the local sphere of Government is an important supplement to existing Municipal Revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in Municipalities.

5.4 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA).

5.5 The structure and components of the formula are summarized as follows:

Grant = BS + D + ! + R+(-) where:

BS – Basic Service Component
D – Development Component
I – Institutional Support Component
R – Revenue raising Capacity Correction
C – Correction and stabilization factor

5.6 It should be noted that the basic component support is only for poor households earning less than R1200.00 per month and it also distinguishes between poor households provided with services and those provided with lesser or no services.

5.7 A Municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme.

5.8 Operating grants compromises 55% of the total Government Grants forecasted and Capital Grants only 45%

6. TARIFF SETTING:

6.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the Revenue is also derived from property rates and grants by National Governments as well as other minor charges such as traffic fines.

6.2 As in the past, increase cost primarily driven by the Consumer Price Index (CPIX), dictates an increase in the tariffs charged to the consumers and the ratepayers. It therefore follows that all the tariffs will have to be increased by a percentage in line with the forecasted CPIX estimated at 6% for the 2011/2012 Financial Year and % for the 2012/2013 year and % for the 2013/2014 year.

6.3 It is realized that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

6.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

6.5 The latest figures released by STATS SA indicated contractions in several spheres of the economy and this confirms that the disposable income of households remain under a lot of strain.

6.6 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households.

6.7 Increase beyond the CPIX included in the Medium Term will only add to bad debt which is already high and a decline in the cash flow

6.8 It must be kept in mind that household cash flow will definitely be strained by tariff increase of ESKOM.

6.9 The outcome of the increase in tariffs (Revenue) on different Revenue categories is as follows:

DETAILS	2011/2012 PROPOSED TARIFF INCREASE	2011/2012 TOTAL BUDGETED REVENUE R'000
Property Rates	7.5%	18 051 841
Electricity	New NERSA Block Tariff	62 830 540
Water	7.5%	19 119 367
Sanitation	7.52%	5 137 202
Refuse Removal	12.6%	6 650 166
TOTAL		111 789 116

6.10 From the household perspective, how much more will be paid in rand is of more interest than the % increase in the various tariffs and rates.

6.11 The implementation of the Credit Control and Debt Collection Policy, particularly with regards to the appointment of the Debt Collection Agency will aid in ensuring that the Municipality reverts back to its collection rate of % over the past financial year. It is however envisaged that with the pressure on tariff increases to fund the Medium Term Budget, the payment rate will become under pressure and special attention will have to be paid on managing all revenue and cash streams especially debtors.

6.12 The Equitable Share allocation is mainly used to provide free basic services to approximately Indigents. Indigent support provided is as follows:

INDIGENTS AND FREE BASIC SERVICES		
	PER HOUSEHOLD	RAND AMOUNT
Free Basic Electricity per month	179.00	537 000
Free Basic Water per month	61.18	183 540
Free Refuse and Sewerage per month	107.80	323 400
Free assessment rates per month	26.25	78 750
		1 122 690

7. EXPENDITURE FRAMEWORK:

7.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

7.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)
7.1.2 Balanced budget constraint (Expenditure cannot exceed Revenue)
7.1.3 Capital programme aligned to Asset renewal Strategy
7.1.4 Operational gains and efficiencies resulting in additional funding capacity on the Capital Programme as well as redirection of funding to other critical areas, and
7.1.5 Strict principle of no project plan (business plan) no budget allocation (funding allocation)

7.2 The following table is a high level summary of the project expenditure for the Municipality over the Medium Term period and aligned to the IDP.

EXPENDITURE BY TYPE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2010/2011	BUDGET YEAR 2011/2012	FORECAST 2012/2013	FORECAST 2013/2014
Employee Related Costs	54 711 136	59 060 790	62 604 437	66 360 704
Remuneration of Councillors	4 270 000	5 576 077	5 910 642	6 265 281
Electricity Bulk purchases	30 350 000	48 820 000	51 749 200	54 854 152
Repairs and Maintenance	9 104 000	6 748 000	7 204 000	7 625 000
Redemption of External loans	536 088	536 088	568 253	602 348
General Expenditure	58 304 312	40 688 833	51 154 747	52 853 731
TOTAL OPERATING EXPENDDITURE	157 275 536	161 104 711	178 569 637	188 195 935
Capital Expenditure	39 908 547	49 855 002	43 293 890	44 923 043
TOTAL EXPENDITURE	197 184 083	210 959 713	221 863 527	233 118 978
Depreciation and Asset impairment	50 000 000	55 000 000	58 300 000	61 798 000
Leave and Landfill Site provision	1 400 000	1 400 000	1 484 000	1 573 040
TOTAL EXPENDITURE	248 584 083	267 359 713	281 647 527	296 490 018

7.3 The Medium Term projections reflect an average growth of 8% for the 2011/12 MTREF.

7.4 In terms of the projected R for the 2013/2014 Financial Year, indicative Salary increases have been included and represents % of the total Operating Expenditure forecast.

7.5 The cost associated with the remuneration of Councillors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No 20 of 1998)

7.6 The cost associated with the remuneration of Councillors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No 20 of 1998)

7.7 Aligned to the best practice methodology of preserving and maintaining current infrastructure, the Expenditure framework has essentially catered for infrastructure maintenance.

7.8 Compared to the 2010/2011 approved budget, the repairs and maintenance is forecasted to increase by 7% from R7250836.00 to R6748070.00 and represent 4% of the total Operating Expenditure forecast.

7.9 Bulk Electricity purchases remain the increasing factor on Operating Expenditure with increases of R48820000.00,R51749200.00 and R54854152.00 respectively over the Medium Term.

8. CAPITAL REQUIREMENTS:

8.1 The following table indicates the projected Medium Term Capital requirements per Department.

8.2 These figures are based on the projects identified through the IDP project phase and reflect estimated amounts based on the availability of funding:

CAPITAL EXPENDITURE BY VOTE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2010/2011	BUDGET YEAR 2011/2012	FORECAST 2012/2013	FORECAST 2013/2014
Executive and Council	-	100 000	1 060 000	1 123 600
Budget and Treasury Office	-	14 000	14 840	15 730
Corporate Services	-	35 000	37 100	39 326
Planning & Development	-	579 500	539 300	573 778
Public Safety	-			
Sport and Recreation	-	922 070	509 880	522 473
Waste management	-			
Water Waste management	-	1 400 000	1 500 000	1 500 000
Road Transport	-			
Water	-	21 179 210	23 808 000	25 306 000
Electricity	-	24 439 722	12 520 140	12 521 348
TOTAL CAPITAL EXPENDITURE BY VOTE	-	49 855 002	43 293 890	44 923 043

8.3 It is imperative that Capital Budgets are prioritized to reflect consistent efforts to address backlogs in basic services and the refurbishment and expanding of existing infrastructure.

8.4 Cognisance should also be given that National Government has prioritized the quality of drinking water and failures in the management of waste water through the blue drop and green drop performance ratings.

8.5 Measures have to therefore be taken over the Medium Term Revenue and Expenditure Framework to implement these strategies to ensure that existing waters supply and waste water comply with these requirements.

8.6 It is important to realize that these figures are only indicative of the different services and may vary as priorities change.

8.7 From the above it is clear that for the next three years many challenges lie ahead to appropriate Capital Expenditure towards available sources of funding and to obtain alternative funding sources to address the needs as identified in the IDP.

8.8 In terms of infrastructure development and to reach the Government Service Delivery targets, % of the Capital Programme has been allocated for this purpose.

8.9 It can further be noted that 51% of the Capital Expenditure is allocated to the Electricity services,40% for water,4% for Roads and Stormwater and approximately 3% for Sewerage services whilst the balance of 2% is for community and institutional requirements.

8.10 The project source of funding over the Medium Term have been carefully considered and can be summarized as follows:

CAPITAL FUNDING BY SOURCE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2010/2011	BUDGET YEAR 2011/2012	FORECAST 2012/2013	FORECAST 2013/2014
Other transfers and Grants	838 350	858 252		
Internally generated funds	8 122 920	1 591 500	4 037 890	3 711 883
National Government	6 200 000	11 675 000	2 975 000	3 400 000
Municipal Infrastructure Grant	18 630 000	22 407 000	27 245 000	28 743 000
Integrated National Electrification Grant	8 500 000	12 783 750	8 500 000	8 500 000
EPWP Incentive Grant	167 000	536 000	536 000	568 160
TOTAL	42 458 270	49 851 502	43 293 890	44 923 043

9. CONCLUSION

9.1 The continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all

9.2 The Financial planning imperatives contribute to ensuring that the Municipality remains financially viable and that municipal services are provided economically to all communities

9.3 The Multi-year Financial Plan contains realistic and credible revenue and expenditure forecasts which should provide a sound basis for improved financial management and institutional development as well as service delivery improvements and implementation.

9.4 The strategy towards cash backing will certainly ensure the sustainability of the Municipality over the medium-to long-term

UMJINDI LOCAL MUNICIPALITY

2011/12 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

TARIFFS

9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.

9.2 Tariff increases are primarily driven by the Consumer Price Index (CPIX). It is due to circumstances not possible to, as in the past, follows the CPIX in the tariff setting for the 2011/12 MTREF. All the tariffs have been increased by a percentage of 7.5%.

9.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

9.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

9.5 Tariff increases were therefore calculated at 7.5% with regards to the main services, with the exception of electricity and refuse removal. This owing to the special circumstance regarding power security in South Africa and the losses currently being incurred on refuse removal.

9.6 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households

9.7 Increases beyond the 7.5% included in the draft MTREF will only add to bad debt which is already high and a decline in the cash flow

9.8 The outcome of the increases in tariffs (Revenue) on different revenue categories is as follows:

DETAILS	2011/12 PROPOSED TARIFF INCREASE	2011/12 TOTAL BUDGETED REVENUE R'000
Property Rates	7.5%	18 051 841
Electricity	Total new block tariff structure	62 830 540
Water	7.5%	19 119 367
Sanitation	7.5%	5 137 202
Refuse Removal	28.1%	6 650 166
TOTAL		111 789 116

PROPERTY RATES

9.9 **Property Rates**

9.9.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process

9.9.2 The categories of rate-able properties for purposes of levying rates and the proposed rates that increases with 7.5% are as follows:

CATEGORY	CURRENT TARIFF 2010/11 R	PROPOSED TARIFF 2011/12 R
Residential	0.009	0.00968
Business & Commercial	0.018	0.01935
Industrial	0.018	0.01935
State owned residential	0.009	0.00968
State owned non-residential	0.009	0.00968
Agricultural residential	0.009	0.00968
Agricultural non-residential (Land solely for farming)	0.009	0.00968
Agricultural non-residential (Business)	0.009	0.00968
Agricultural vacant land	0.0045	0.00484
All non agricultural land	0.0045	0.00484
All non-permitted use	0.0045	0.00484

WATER

9.10 Water

9.10.1 A 7.5% increase in water tariffs applicable to the residents of Umjindi is proposed, generating R19 million in total

9.10.2 A summary of the proposed tariffs (VAT EXCLUDED) for households (residential) and non-residential are as follows:

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Per Kl R	Per Kl R
Monthly Basic Charge per Category		
Residential 0 – 6 kl	Free	Free
Residential: Developed & Churches	32.30	34.73
Residential: eMjindini Developed & Churches	29.28	31.48
Residential: Undeveloped	59.82	64.31
Business	59.82	64.31
Prison farm	87 171	93 709
Purified Water per Month		
Residential Consumer 0 – 6 kl	Free	
All consumers 7 kl – 25 kl	4,60	4.95
26 kl – 35 kl	4.62	4.97
36 kl and above	4,64	4.99
Unpurified Water to Industries and Crocodile Farm		
First 500 kl or part thereof	422.73	454.44
Above 500 kl	1,49	1,61
WATER RESTRICTIONS IN CASE OF DROUGHT		
Monthly Basic Charge (Dam Water Level @ 85%)		

Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	5,16	5.50
26 kl – 35 kl	5,18	5.70
36 kl and above	5,50	6.70
EPWP (037)		536 000

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Per Kl R	Per Kl R
WATER RESTRICTIONS IN CASE OF DROUGHT		
Monthly Basic Charge (Dam Water Level @ 85%-75%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	5,16	5.50
26 kl – 35 kl	5,50	6.10
36 kl and above	7,00	8.50
Monthly Basic Charge (Dam Water Level is below 70%)		
No watering of gardens and washing of cars with garden hoses		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	5,16	5.50
26 kl – 35 kl	7,00	7.75
36 kl and above	15,00	18
New Connection Charges		
	Cost + 15%	Cost + 15%
Testing of Meter		
Where meter show an error of less than 2,5%	113.95	122.50

Where meter show an error of more than 2,5%	N/C	N/C
Water Connection		
Water connection	1 207.87	1 298.46
Poverty (Indigent) tariff (A281/2005)	384.01	412.81

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
PENALTIES: TEMPERING WITH WATER METERS (RECONNECTION FEE)		
Domestic Consumers (Pre-paid & Conversional)		
FIRST OFFENCE		
Without damage to installation	1 219 27	1 310.71
With damage to installation	1 954.24	2 100.81
SECOND OFFENCE	1 954.24	2 100.81
THIRD OFFENCE		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	2 136.56	2 296.80

CATEGORY	CURRENT	PROPOSED

	TARIFFS 2010/11	TARIFFS 2011/12
BUSINESS CONSUMERS AND LARGE POWER USERS		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	3 988.25	4 287.37
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tempering with any meter on his/her property		

REFUSE REMOVAL

9.11 **Refuse Removal**

9.11.1 Currently refuse removal is operating at a loss/deficit. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term.

9.11.2 Refuse removal tariffs are proposed to be increased with 28.1% for residential once per week, 12.9% for daily removals and 8% for other refuse services from the 1 July 2011 to ensure that costs are recovered

9.11.3 Revenue of R6.6 million will be generated through the tariff increase and anticipated growth in service rendering.

9.11.4 The following table indicates a comparison between current and proposed amounts payable from 1 July 2011 (VAT EXCLUDED)

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	R	R
Once per Week		
1st Bin – All sections	50,76	65.00
Daily Removal		
1st Bin	186,03	210.00
2nd Bin	131,37	150.00
OTHER REMOVALS		
Special removals 6 per m3	623,34	673.21
Bulk containers/Bins (Business)	220,72	238.38
Rental of Bulk containers/Bins (Maximum 3 days)	259,58	280.36
Unsound foodstuff per removal	671,43	725.14
Cleaning of Erven per m2	1,14	1.24

SANITATION

9.12 **Sanitation**

9.12.1 The tariff is proposed to be increased by 7.5% from 1 July 2011

9.12.2 The total revenue expected to be generated from rendering this service amounts to R 5.1 million for the 2011/12 financial year.

9.12.3 The following table indicate the proposed tariffs (VAT EXCLUDED) to be implemented with effect from 1 July 2011:

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	R	R
Private Residential Purposes		
For every 100m2 or portion thereof	5.13	5,51
Maximum	100.00	107.50
Prisons		
For every 100m2 or portion thereof		5,06
Maximum	2 335.98	2 511.17
Other Land		
For every 100m2 or portion thereof	5.13	5.51
Maximum	1 401.59	1 506.70
Domestic sewerage		
Per water closet pan, urinal or compartment	15.21	16.35
Connection fees		
	Cost + 15%	Cost + 15%
Sewerage Connection Fees		
Sewerage connection fees	1 048.34	1 126.97
Poverty (Indigent) tariff	499.67	537.15
Sewerage Blockages Private Properties		

Weekdays (Office Hours)		
First half hour or portion thereof	317.35	341.15
Every additional half hour or portion thereof	1 494.25	1 606.32
Saturdays & After Hours		
First half hour or portion thereof	512.21	550.62
Every additional half hour or portion thereof	256.39	275.62
Sundays & Holidays		
First half hour or portion thereof	512.21	550.62
Every additional half hour or portion thereof	241.88	260.02

ELECTRICITY

9.13 Electricity

9.13.1 The tariff is proposed to be changed according to NERSA guidelines regarding the implementation of the block tariffs as from 1 July 2011

9.13.2 The current proposed electricity tariff increases for the 2011/12 MTREF is approved during the mayoral meeting in February.

9.13.3 The estimated revenue amounts to R62.8 million in total.

9.13.4 All residents of Umjindi excluding registered indigent household will no more get the granted 50 kWh per month free of charge due to the new block tariff structure which itself will reduce the electricity bill for low consumers as from 1 July 2011.

9.13.5 The following table indicates the proposed electricity charges (VAT EXCLUDED) for the 2011/12 financial year

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2010/12
	R	R
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)		
Domestic Basic Charge		
Domestic with no consumption for 30 days and longer	149,35	150.00
Residential	Free	150.00
Domestic Energy Charge of Electricity (Block tariff)		
Conventional 0 – 50 units Block 1	Free	0.580
Conventional 51 – 351 units Block 2	0,73	0.660
Conventional 351 – 600 units Block 3		0.900
Conventional 601 – above Block 4		1.090
Pre-paid Domestic 0 -50 units Block 1	Free	0.630

Pre-paid Domestic 51 -350 units Block 2	0,85	0.710
Pre-paid Domestic 351 -600 units Block 3		0.950
Pre-paid Domestic 600 and above Block 4		1.140
COMMERCIAL (MUNICIPAL , BUSINESS ETC)		
Basic Charge (conventional)		
Three phase (including vacant stand)	631,42	760.00
Single phase (including vacant stand)	552,82	665.00
Energy Charge of Electricity		
Charge per unit	0,734	0,880
Business consumption (Pre-paid)	0,85	0,950
INDUSTRIAL (MUNCIPAL, BUSINESS, SCHOOLS WITH KVA ECT)		
Low Voltage 400 V (Demand Scale)		
Metered KVA	96,30	115.00
Charge per unit	0,445	0,536
Basic charge (including vacant stands)	812,20	977.00
Time of use		
Peak	2,12	2,550
Standard	0,445	0,536
Off-peak	0,301	0,362
KVA 11000V		
Metered KVA	95,35	114.00
Charge per unit	0,35	0,420
Basic charge (including vacant stand)	812,20	977.00
Time of use		
Basic charge	812,20	977.00
Demand charge per kVA (30 min periods)		
Energy charges		
Peak		
High Demand (June – August)	1,30	1,58

Low Demand (September – May)	0,42	0,506
Standard		
High Demand (June – August)	0.400	0,482
Low Demand (September – May)	0.285	0,343
Off-peak		
High Demand (June – August)	0.223	0,268
Low Demand (September – May)	0.195	0,235
CONNECTION CHARGES AND OTHER MAINTENANCE		
Single phase pre-paid meter	4 150,00	4 950,00
Single phase conventional meter	4 050,00	1 485,00
Single phase pre-paid meter (Poverty)Indigent	Free	1 485,00
Three phase pre-paid meter	6 850,00	8 250,00
Three phase conventional meter	6 650,00	8 005,00
Change conventional to pre-paid meter (single phase)	675,00	812,00
Change conventional to pre-paid meter (three phase)	3 400,00	4092,00
Change pre-paid to conventional (Single phase)	700,00	842,00
Change pre-paid to conventional (Three phase)	1 380,00	1 660,00
PENALTIES: TEMPERING WITH ELECTRICITY METERS		
Domestic Consumer (Pre-paid & Conventional)		
First Offence		
Without damage to installation	1 620,00	1 950,00
With damage to installation	2 380,00	2 850,00
Second Offence		
	3 025,00	3 650,00
Third Offence		
Legal action and removal of meter		
SELF – RECONNECTION		

When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	1 950,00	2 350,00
Business Consumers and Large Power users		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	5 185,00	6 200,00
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tempering with any meter on his/her property		
Testing of Meters (Section 9(1) of By Laws)	240,00	850,00
Attendance to complaint other than fault in council's supply or equipment (per call)	240,00	295,00
Testing of electrical installation (Section 16(8)b of By-Laws) – 0n request of consumer	350,00	450,00
Replacement of tariff circuit breakers with		
Higher circuit breaker per phase	270,00	350,00
Lower circuit breaker per phase	270,00	3500,00
Consumer is of the opinion tariff circuit breaker tr current value that its rating		
Tariff	232,00	285,00

Per circuit breaker	105,00	130,00
(These costs are refundable at non-compliance)		
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating		
Aggregate of units determined by Council Engineer		
Testing/fault finding on electrical cables		
First 2 hours	920,00	1150,00
Every hour thereafter	350,00	450,00
Plus: Travel cost	Actual cost	Actual cost
Tariff classification		
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final		

OTHER

9.14 Other tariffs

9.14.1 The tariffs for all other services rendered i.e approval of building plans etc, will be increased with an inflation related percentage of 7.5%

9.14.2 The proposed tariffs for the various services are attached as Annexure to this report

9.14.3 The shortfall owing to these tariffs not always covering costs is funded through property rates.

UMJINDI LOCAL MUNICIPALITY

FINANCIAL POLICIES

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

1. Financial Management Policies:

The purpose of Financial Policies are to provide a sound environment to manage the Financial affairs of the Municipality. The following are key budget related policies:

1.1 Tariff Policy: the Policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000;

1.2 Rates Policy: a Policy required by the Municipal Property Rates Act, Act 6 of 2004. This Policy provides the framework for the determination of rates;

1.3 Indigent Support Policy: to provide access to and regulate free basic services to all indigents;

1.4 Budget Policy: this Policy set out the principles which must be followed in preparing Medium Term Revenue and Expenditure Framework Budget. It further ensures that the Budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

1.5 Asset Management Policy: the objective of the Policy is to prescribe the accounting and administrative procedures relating to the property, plant and equipment;

1.6 Accounting Policy: The policy describes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards.

1.7 Supply Chain Management Policy: this Policy is developed in terms of Section 1 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this Policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of Municipal Services.

1.8 Subsistence and Travel Policy: this Policy regulates the reimbursement of travelling and subsistence costs to officials and Councilors attending official business.

1.9 Credit Control and Debt Collection Policy: this Policy provides for Credit and Debt Collection Procedures and mechanisms to ensure that all consumers pay for the services that are supplied.

1.10 Investment Policy: this Policy was compiled in accordance with the Municipal Invest Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible.

1.11 Short-term Insurance Policy: the objective of the Policy is to ensure the safe-guarding of Council's assets.